

State of South Carolina



Office of the State Auditor

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THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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September 19, 2002

Mr. Ken Hiatt, Chief Financial Officer
Allendale County Memorial Hospital
Post Office Box 218
Fairfax, South Carolina 29827

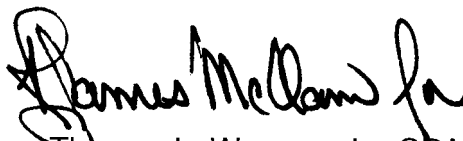
Re: AC# 3-JEH-J7 – Allendale County d/b/a John Edward Harter Nursing Center

Dear Mr. Hiatt:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
FAIRFAX, SOUTH CAROLINA**

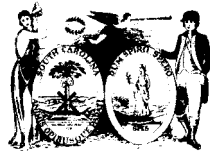
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1998
AC# 3-JEH-J7**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 21, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Allendale County d/b/a John Edward Harter Nursing Center, for the contract period beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. The management of Allendale County d/b/a John Edward Harter Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Allendale County d/b/a John Edward Harter Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Allendale County d/b/a John Edward Harter Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 21, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "James McIlam for".

Thomas L. Wagner, Jr., CPA
State Auditor

JOHN EDWARD HARTER NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-JEH-J7

	<u>10/01/98- 11/30/98</u>	<u>12/01/98- 03/31/99</u>	<u>04/01/99- 09/30/99</u>
Interim Reimbursement Rate (1)	\$94.01	\$94.76	\$91.33
Adjusted Reimbursement Rate	<u>92.89</u>	<u>93.64</u>	<u>90.21</u>
Decrease in Reimbursement Rate	\$ <u><u>1.12</u></u>	\$ <u><u>1.12</u></u>	\$ <u><u>1.12</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

JOHN EDWARD HARTER NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-JEH-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.02	\$44.09	
Dietary		14.17	10.41	
Laundry/Housekeeping/Maintenance		<u>10.76</u>	<u>7.86</u>	
Subtotal	\$ <u>-</u>	63.95	62.36	\$62.36
Administration & Medical Records	\$ <u>-</u>	<u>12.70</u>	<u>11.13</u>	<u>11.13</u>
Subtotal		76.65	<u>\$73.49</u>	73.49
<u>Costs Not Subject to Standards:</u>				
Utilities		7.08		7.08
Special Services		-		-
Medical Supplies & Oxygen		1.64		1.64
Taxes and Insurance		.73		.73
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$86.10</u>		82.94
Inflation Factor (3.60%)				2.99
Cost of Capital				12.14
Cost of Capital Limitation				(5.43)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$92.89</u>

JOHN EDWARD HARTER NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period December 1, 1998 Through March 31, 1999
AC# 3-JEH-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.02	\$44.09	
Dietary		14.17	10.41	
Laundry/Housekeeping/Maintenance		<u>10.76</u>	<u>7.86</u>	
Subtotal	\$ <u>-</u>	63.95	62.36	\$62.36
Administration & Medical Records	\$ <u>-</u>	<u>12.70</u>	<u>11.13</u>	<u>11.13</u>
Subtotal		76.65	<u>\$73.49</u>	73.49
<u>Costs Not Subject to Standards:</u>				
Utilities		7.08		7.08
Special Services		-		-
Medical Supplies & Oxygen		1.64		1.64
Taxes and Insurance		.73		.73
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$86.10</u>		82.94
Inflation Factor (3.60%)				2.99
Cost of Capital				12.14
Cost of Capital Limitation				(5.43)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$93.64</u>

JOHN EDWARD HARTER NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1999 Through September 30, 1999
AC# 3-JEH-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.02	\$40.78	
Dietary		14.17	10.41	
Laundry/Housekeeping/Maintenance		<u>10.76</u>	<u>7.86</u>	
Subtotal	\$ <u>-</u>	63.95	59.05	\$59.05
Administration & Medical Records	\$ <u>-</u>	<u>12.70</u>	<u>11.13</u>	<u>11.13</u>
Subtotal		76.65	<u>\$70.18</u>	70.18
<u>Costs Not Subject to Standards:</u>				
Utilities		7.08		7.08
Special Services		-		-
Medical Supplies & Oxygen		1.64		1.64
Taxes and Insurance		.73		.73
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$86.10</u>		79.63
Inflation Factor (3.60%)				2.87
Cost of Capital				12.14
Cost of Capital Limitation				(5.43)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$90.21</u>

JOHN EDWARD HARTER NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-JEH-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 613,858	\$ -	\$ 3,906 (1)	\$ 609,952
Dietary	254,637	-	33,085 (1)	221,552
Laundry	11,916	-	9,362 (1)	2,554
Housekeeping	46,879	14,701 (1)	-	61,580
Maintenance	118,545	-	14,468 (1)	104,077
Administration & Medical Records	148,112	50,355 (1)	-	198,467
Utilities	69,558	41,108 (1)	-	110,666
Special Services	-	-	-	-
Medical Supplies & Oxygen	74,084	-	48,503 (1)	25,581
Taxes and Insurance	21,942	-	10,553 (1)	11,389
Legal Fees	-	-	-	-
Cost of Capital	<u>109,013</u>	<u>94,290</u> (1)	<u>13,515</u> (2)	<u>189,788</u>
Subtotal	1,468,544	200,454	133,392	1,535,606

JOHN EDWARD NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-JEH-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	-	-	-	-
Non-Allowable	(117,987)	167,332 (1)	-	62,860
		<u>13,515 (2)</u>		
Total Operating Expenses	<u>\$1,350,557</u>	<u>\$381,301</u>	<u>\$133,392</u>	<u>\$1,598,466</u>
Total Patient Days	<u>15,633</u>	<u>-</u>	<u>-</u>	<u>15,633</u>
TOTAL BEDS	<u>44</u>			

JOHN EDWARD HARTER NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-JEH-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Nonallowable	\$167,332	
	Administration	50,355	
	Housekeeping	14,701	
	Utilities	41,108	
	Cost of Capital	94,290	
	General Services		\$ 3,906
	Dietary		33,085
	Laundry		9,362
	Maintenance		14,468
	Medical Supplies		48,503
	Taxes and Insurance		10,553
	Other Equity		247,909
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Nonallowable	13,515	
	Cost of Capital		13,515
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>381,301</u>	\$ <u>381,301</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

JOHN EDWARD HARTER NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-JEH-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>44</u>
Deemed Asset Value	1,499,036
Improvements Since 1981	820,713
Accumulated Depreciation at 9/30/97	<u>(519,524)</u>
Deemed Depreciated Value	1,800,225
Market Rate of Return	<u>.067</u>
Total Annual Return	120,615
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	120,615
Depreciation Expense	71,381
Amortization Expense	-
Capital Related Income Offsets	(2,208)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	189,788
Total Patient Days (Minimum 97% Occupancy)	<u>15,633</u>
Cost of Capital Per Diem	\$ <u><u>12.14</u></u>

JOHN EDWARD HARTER NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-JEH-J7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.72
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.71</u>
Reimbursable Cost of Capital Per Diem	\$ 6.71
Cost of Capital Per Diem	<u>12.14</u>
Cost of Capital Per Diem Limitation	\$ <u>(5.43)</u>

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